Makeup behind the Mirror; Going beyond Delisting? – A Case of NIRMA

Reddy, Kotapati Srinivasa

2010

Makeup behind the Mirror; Going beyond Delisting?
– A Case of NIRMA

Kotapati Srinivasa Reddy

First draft December 2010

Under the kind guidance of

V.K. Nangia

Professor& Head, Department of Management Studies

Rajat Agrawal

Assistant Professor, Department of Management Studies

Indian Institute of Technology (IIT) Roorkee, Roorkee - 247667

Uttarakhand. (India).

Makeup behind the Mirror; Going beyond Delisting?
– A Case of NIRMA

ABSTRACT

The present realistic business case tussles with ‘De-listing and restructuring”. The fact facets, background data and tabular records with graphical preview of low cost producer of detergent from India “NIRMA Limited” discuss in this investigation report. Once upon a time, this is a likeable low cost range of detergent powder in India, now time takes to the place where it can fully streamline to sustain in the competitive prolific arena. Hence it is thriving for sales and hunting for cash flows for balancing its cost-to-benefit secrecy. Though, the man behind detergent chief and historic bore legend, Dr. Patel crafting his psycho views to uphold its market share to be through and entering in to the capital intensive business. There were mishap business announcement took place during Oct 2010, that remarked as thriving entity and on the other hand making high net worth shareholders happy were stirred authors to write this case manuscript.

Keywords: Fast moving consumer goods; detergent market; restructuring; market share; market delisting

Notes to Readers:

This draft was prepared in the first year course work of my doctoral program during September – December 2010, and updated in May 2011. The part or full of this draft has not yet published in any national or international journal. For readers’ purpose, in this version, I also suggest some of my own work for teaching and assignment in MBA courses such as Marketing, Strategic Marketing and Corporate Finance.

Thank you very much for reading my work.

EXECUTIVE SUMMARY

(Prepared by Rajat Agrawal for presenting in the Sage-AJMC International Case Conference, 2011).

Introduction: Organizations use different ways for their growth which can be broadly classified as organic and inorganic. Development of new business such as offering new products, entering into new markets are organic growth while mergers & acquisitions, financial revamping are inorganic growth.

Nirma, the popular detergent brand in India used organic approach for growth since its inception. During October 2010, announcement of delisting plan from Nirma is being considered as an attempt for inorganic growth guessed to be through restructuring the company. The present case discusses in detail about Nirma's marketing and strategy related issues.

Profile of Nirma: The founder of Nirma Dr K K Patel made and sold the detergent powder using market penetration strategy by selling the powder at Rs3 per kg when cheapest detergent powder was available at around Rs13 per kg. Dr Patel went door to door on bicycle to sell the detergent powder made by him. Nirma formally came into existence in the year 1969 and since then, it has grown into an organization with Rs.2.5 billion annual turnover. Started as single person organization, Nirma now has 15000 employees including 500 professionals. Nirma offers consumer as well as industrial products. Nirma offers consumer products such as different types of bathing soaps, detergent powder and cakes, edible salt and scouring products such as Nirma clean Dish Bar and Nima Bartan Bar.

Nirma has undertaken backward integration into manufacture of Industrial Products like Soda Ash, Linear Alkyl Benzene (LAB), Alfa Olefin Sulphonates (AOS), Fatty Acid, Glycerine and Sulphuric Acid. Nirma also makes Pure Salt, Vacuum Evaporated Iodized Salt, SSP (Single Super Phosphate) and Sodium Silicate.

Nirma is diversifying its product mix as it is entering into cement business through a new company Nima Cements Limited.

Nirma sells the umbrella brands namely 'NIRMA' and 'NIMA" along their extension products through its wholly-owned subsidiary NCCL, which operates two parallel distribution networks. Principal channel dispenses 'NIRMA' brand through 450 distributors and Parallel channel dispenses 'NIMA' brand with nearly 2000 distributors in India. The performance of Nirma during the decade of 1980s has been labeled as 'Marketing Miracle' of this era. These two brands have a retail reach of two million retail outlets and more than 40 million loyal consumers spread all over the country. The company has been successful in establishing an extremely good urban as well as rural presence through the two distribution channels. The distribution channels have played a significant role in making Nirma a household name. The efficient network has made 'Nirma washing powder and Nirma detergent cake', the brands with the highest penetration in the respective product categories in the market.

Nirma's overall sales grew from Rs.1.6 billion in Year 2003-04 to Rs 4.6 billion in year 2009-10. But profit figures are not in sync with sales figures. The share of detergents in overall sales of Nirma is also decreasing.

Indian FMCG and Detergent Market: Indian FMCG market is one of the most attractive destinations for MNCs. FMCG is the fourth largest sector of Indian economy with a total market size of $13.1 billion. The growth rate of FMCG sector is expected to be 10-12% per annum. The size of Indian detergent market is $2.57 billion. The Indian detergent market is expected to grow at 7-9% pa in volume terms.

"Surf" of HLL and "Det" from Swastik were initial brands in detergent market of India. Later Tata launched its "Magic". Presently, the Indian fabric wash market consists of synthetic detergents (comprising bars, powders and liquids) and oil based laundry soaps. The synthetic detergent market can be classified into premium (Surf, Ariel), mid-price (Rin, Wheel) and popular segments (Nirma), which account for 15%, 40% and 45% of the total market, respectively. The product category is fairly mature and is dominated by two players, HLL and Nirma.

Today, HLL, Nirma and P&G are the major players in the market. While HLL dominates the premium segment, Nirma is the leader in the popular segment. Apart from major players, many regional and small unorganized players account for sufficient share of the market. Some of them worth mentioning are Jyothy Laboratories and Ghari Industries.

Challenges for Nirma: According to market research agency, AC Nielsen, branded washing powders witnessed a 4.8 per cent decline in volumes in 2009, while regional powders grew by 40.7 per cent. The premium price segment of washing powders shrank by 1 per cent, while the mass segment grew by 2.3 per cent. Whereas, regional washing powders grew by 75.7 per cent, and branded players grew by 20.3 per cent in volumes. Most of the new washing brands are luring consumers with propositions like 'superior wash at affordable prices'. HUL's market share in the detergent market is around 37 per cent. Ghari has 18 per cent market share, while P&G has roughly 16 per cent. Nirma had a 15.2 per cent share of the detergents segment and 8.2 per cent of bath soaps in 2009-10. But it slowly dipped to 13.5 per cent in detergents and 6.74 per cent in bath soaps in Jun, 2010. Although it has maintained fine market share in western part of India it continues to loose its grip in other parts. Nirma has to face a lot of challenges from regional brands as well as MNCs.

Nirma is a family owned business with 77.17% of shareholding with promoter group. Institutional Investors have 1.56% and non institutional investors have 21.26% of equity shares of Nirma. Further, it was not a favored stock chosen by retail investors and high net worth individuals in the stock market, which may have been due to low returns. The unanticipated talks on delisting gave good returns to long holding investors and would be giving an opportunity to Nirma to become free from regulatory issues.

Maintaining a congenial environment at family level for the interest of business is also an important challenge for the group.

Conclusion:

Nirma, a family owned leading brand represented yellow detergent powder product for long in Indian markets. Nirma is an example of first generation entrepreneurship. It is also a favoured example of low cost market penetration strategy. Company is in a reformation phase and used delisting as a process to keep itself away from regular public attention. Company offered exit price of Rs260 per share to individual share holders.

Discussion points:

(i) Prepare PEST analysis from the given case and analyze the factors which impact on Nirma's corporate growth and tragedy?

(ii) Identify the growth opportunities (both organic and inorganic) for expansion and diversification of Nirma. Prepare a strategic plan to enter in the Food division, if so, shall it run on the same brand.

(iii) Comment- "Delisting is the right action for turnaround or restructuring of business". Since, it looks like 'standing behind the shadow' or 'makeup behind the mirror', trace out the reasons to delist its shares from the stock exchange, whether this effects on popular Nirma's sign/brand.

(iv) Should Nirma spend more on advertising and sales promotion activities like other players in the detergent market?

(v) What type of marketing strategies is suitable for Nirma to promote the 'Nirma' brand in the Indian market? Will we run Porter's generic strategies or Ansoff matrix for market coverage as well as customer perception?

INTRODUCTION

On 10th October, 2010 the surprise announcement by Rs. 4600 crore, Nirma Ltd to delist itself is being viewed as a decision taken by a fiercely-private person to keep his company away from the public glare (The Economic Times, Oct 11, 2010). There are gossips about the company and family biological issues suggesting that a major restructuring or even a sell-off may be in the offing after the company's board on Saturday (Oct 9, 2010) evening announced delisting of the detergent major NIRMA from Bombay Stock Exchange and National Stock Exchange. But, people close to the company insist that it wants to stay off the disclosures mandatory and requirements for on-roll listed entity. Nirma's de-listing is a clear signal that the company wants to stay out of the public realm; in sense, 'Facial behind the Mirror' (The Times of India, Oct 11, 2010). Listing requirements are very stringent for listed companies and may prefer to get de-listed. The company may have a big plan ahead in which it may want to do corporate restructuring. So it could have decided to de-list first and choose on internal restructuring and subsequently relist on the bourses with de-merged businesses. The reason behind this strategy could be non-cooperation from investors (The Economic Times, Oct 11, 2010).

Nirma is a financially strong company with ample cash reserves Rs. 2700 crore, on its balance sheet by the end of March, 2010 ([moneycontrlo.com], Oct 11, 2010). Further, it has no big expansion plan in the pipeline and it need not remain listed and be part of the market capitalization fixture. Listing is typically needed for those companies who want to raise funds from the market every two to three years. Promoters of Nirma have maintained their holdings at 77 per cent since many years; eventually the company's floating stock is limited. High net worth investors (HNI) find de-listing announcement is a good exit opportunity for their investment that has not generated good return, a few others are undecided. A shareholder noticed, since Nirma's listing, have not sold his holdings despite the stock not generating good returns seeing as many years.

Nirma has been losing its grip in the consumer care business. As a result, it has been consistently losing market share in both detergents as well as soaps category. In the last annual general meeting, Nirma indicated that the detergents segment is increasingly getting competitive and heading stiff competition from local & international firms. A few years back, it was the second-largest player in the Rs. 11000 crore detergents business has now been piped by Procter & Gamble (P&G). Even in the soaps category, Nirma has been losing market share to players like ITC, Godrej and Reckitt Benckiser. The company was planning to focus on capital-intensive businesses like cement, building materials & chemicals and on backward integration.

Nirma is one of the few names and recognized as a true Indian brand, which took on almighty multinationals and rewrote the marketing rules to win the heart of princess, i.e. the consumer. Nirma, the founder & Chairman, Dr. Karsanbhai Patel, is a characteristic model of the success of Indian entrepreneurship in the face of stiff competition. He started as a one-man function in 1969; today it has about 15000 employee-base & 500 professionals and annual turnover by the end of March 2010, Rs. 2500 crore (Nirma Ltd.). India is one of the largest consumer economies, with burgeoning middle class pie. In such a widespread, competitive and diverse marketplace, Nirma pertinently concentrated all of its efforts towards creating and building a strong consumer presence towards its 'Value-For-Money' products.

It was way back in 1960s, where the Indian detergent market had only premium segment, with very few players and was dominated by multinational companies (MNC). In 1969, Dr. Patel started door-to-door selling of his detergent powder priced at an astonishing Rs. 3 per Kilogram (kg), when there is an available cheapest brand in the market was Rs. 13 per kg (Nirma Ltd.). It was really an innovative and quality product, in addition with indigenous process, packaging and low-profiled marketing, which changed the habit of Indian housewives for washing their clothes. In a short span, Nirma created entirely a new market segment in domestic marketplace, which was eventually the largest consumer pocket and quickly emerged as dominating market player, that has never since relinquished. Rewriting and redefining the marketing principles, Nirma became one of the widely discussed success stories between the four-walls of the B-school classrooms across the world, exclusively in Asia. During Oct, 2010 the company's future direction of business came out as informal news from formal reference that it was in corporate and financial unreciprocated issues like delisting, restructuring, etc.

CHALLENGES & OPPORTUNITIES

Many multi-nationals have set up large low cost production bases in India to outsource domestic business as well as export to third world markets like Africa and Independent

States. India has enacted policies aimed at attaining international competitiveness through lifting of the quantitative restrictions, reduced excise duties and automatic foreign investment resulting in an environment that fosters growth. The Indian rural market with vast size and demand base offers a huge opportunity for investment. The population in the rural areas estimate to heave 180 million households by 2010-11 and higher saturation in the urban markets, increased rural and small town penetration will spur future growth in the FMCG sector. Technological advances such as the internet and e-commerce will aid in better logistics and distribution in these areas.

The current economic trend, exhibiting modest demand and supply is likely to have a medium-term impact on the demand for FMCG products. The sector has a tremendous opportunity for growth in India evidences with increasing population, rising income levels, education & urbanization, the advent of modern retail, and a consumption-driven society. However, successfully launching and growing market share around a branded product in India presents tremendous challenges. Many of these challenges raised have to do with operational inefficiencies; an ambiguous and inconsistent tax regime, bureaucracy, hazy and outdated legislation as well as infrastructural bottlenecks. These need to be overcome not only through a concerted effort by the industry but with active government intervention and promotion to ensure that the sector is able to perform potentially to driven an economy.

Issues related to Nirma Ltd.

The firms in the detergents and soaps categories, both multinationals as well as local players, have built their strategies around viability, affordability and visibility. Nirma's focus has largely been on affordability and value-for-money principle. Due to spur in income levels, consumers are now shifting from economy products to branded goods and Nirma has failed to capitalize on this shift. Nirma's brand promotion efforts and pricing strategy have weakened over the past few quarters during 2009-10. It has been continuing with the same advertising for years and now also in this computerized and graphics arena. Even its visibility on TV channels comedown and continuing on 'Doordarshan' (Government promoted channel).

The firm has also not raised its prices for some time despite the increase in prices of LAB (linear alkyl benzene, a key ingredient used in manufacturing detergents) and palm oil (another key ingredient in the manufacture of soap). The rival's products across all price points to mitigate the input cost effect in various packages, while Nirma is available only in one plank - value for money. According to reports of Economic Times (Oct 11, 2010), Nirma faced a lot of opposition from farmers and the company had to return 100 hectares out of the allotted 268 hectares for cement plant at Mahua in Gujarat after a prolonged litigation. At last, Nirma is also operating cement plant under new listing company 'Nima Cements Limited'.

NIRMA PROFILE

Nirma is a customer-focused company committed to consistently offer better quality products and services that maximize value to the customer.

---Vision Statement (Nirma Ltd.)

In scorching heat of 1969, a son of petty farmer was trying to mix soda ash and few other intermediaries, to make a detergent produce. He was a qualified science graduate and was working as junior chemist in Government laboratory. As a moonlighting activity, he was making detergents in the 100 sq. ft. back yard of his home, using bare hands and bucket. Once the mixture is ready, he used to pack them in polythene bag and was selling door-to-door in early days. Gradually, the product became well accepted in the consumer community, and was known as detergent maker "NIRMA". Dr. Karsanbhai Patel was a success saga of a first generation entrepreneur, on his way to create history in the Indian marketplace. He was swiftly crafted low-to-medium consumer pouches – a complete new consumer segment for detergent category.

Nirma Limited was incorporated as a private limited company on Feb 25, 1980 to undertake the business of manufacturing and selling synthetic detergents, soaps, chemicals and allied products. Initially it was promoted by Dr. Patel as his pet project. The company went to public in 1993 as overcome from the status of deemed public limited. Next, it came out with its maiden public issue of equity shares in 1994. Further it has also set up a wholly owned subsidiary Nirma Consumer Care Ltd (NCCL) in 1985, which is the sole marketing licensee of the Nirma brand in India. Nirma is located in Gujarat, Madhya Pradesh and Uttar Pradesh. During 1996-97, associate companies like Nirma Detergents, Shiva Soaps & Detergents, Nirma Soaps & Detergents and Nilnita Chemicals were merged with Nirma (India infoline Database). Through 2004-05, it had discontinued the production process at Pithampur in Madhya Pradesh and Jaipur in Uttar Pradesh. In due course of time it had obtained possession of some of the assets from Asset Reconstruction Company India Limited (ARCIL) and commenced production in 2005-06. Further it had launched intravenous fluids on the name of 'Nirlife' brand in the market and established the pure water plant/utilities expansion and caustic plant in 2006-07.

NIRMA Brand Portfolio

The company engaged in the consumer goods and industrial products sector, having major manufacturing plants for production of various products includes Soda Ash, Linear Alkyl Benzene, Soaps, Detergents, Edible Salt, Industrial Salt and Others (Alfa Olefin Sulfonate, Sulfuric Acid, Glycerin and Single Super Phosphate). Figure 1 show the chart of Nirma's brand portfolio, which are presently available in the Indian market.

(Insert Figure 1 about here)

NIRMA Marketing & Distribution Network

Nirma sells the umbrella brands namely 'NIRMA' and 'NIMA" along their extension products through its wholly-owned subsidiary NCCL, which operates two parallel distribution networks. Principal channel dispense 'NIRMA' brand through 450 distributors and Parallel channel dispense 'NIMA' brand with nearly 2000 distributors in India. The performance of Nirma during the decade of 1980s has been labeled as 'Marketing Miracle' of an era. These two brands have a retail reach of two million retail outlets and more than 40 million loyal consumers spread all over the country. The company has been successful in establishing an extremely good urban as well as rural presence through the two distribution channels. The distribution channels have played a significant role in making Nirma a household name. The efficient network has made 'Nirma washing powder and Nirma detergent cake', the brands with highest penetration in the respective product categories in the market. The robust network ensures the availability of various products at different retail outlets across the nation. The distribution channel is geared up to enhance trade relations, build up the retailer base by providing various benefits and incentives, organize and implement different activities to generate sales and manage numerous other schemes and activities concentrated towards business development.

It has been persistent effort of Nirma to make consumer products available for masses at an affordable price. To leverage this effort, Nirma has gone for massive backward integration along with expansion and modernization of the manufacturing facilities. The focal objective behind modernization plan is of up gradation with resource-savvy technology to optimize capabilities. Nirma's six production facilities located at different places and well equipped with state-of-art technologies. To ensure regular supply of major raw materials, Nirma had opted for backward integration strategies. These strategic moves allowed Nirma to manage effective and efficient supply-chain. Distinct market vision and robust infrastructure allowed Nirma to have cost leadership. Apart from this, lean distribution network, umbrella branding and low profile media promotions allowed it to offer quality products, at reasonable prices. Nirma literally captured the market share by offering value-based marketing mix of four P's, i.e. a perfect match of product, price, place and promotion. It was a breaking battering for MNCs in detergent market, since two years (2008-10) observed a sharp decline of its charm.

NIRMA's Social Contribution

In fulfillment of social responsibility role, Nirma has undertaken a host of activities in the educational and social development areas. Realizing the significant role of education - especially technical and managerial additions for economic development of the nation, Nirma played a vital role by establishing Nirma Education & Research Foundation (NERF) in 1994. This foundation has been awarded university status as "Nirma University". This status gives way to shape up and expand into a body providing education in other courses like medicine, nursing, biotechnology, etc. along with the existing courses under a single roof of *Nirma University*. Today, this state-of-the art academic infrastructure runs various institution bodies such as, *Institute of Management, Institute of Pharmaceutical Sciences* and *Institute of Diploma Engineering*. In addition to this contribution, Nirma labs, Nirma memorial trust and Gram vikas trust are running for the sake of various social classes.

NIRMA's Recognition and Awards

The man behind the success of Nirma phenomenon – Dr. Karsanbhai Patel was a recipient of various awards and accolades. He has been bestowed '*Udyog Ratna*' by the Federation of Association of Small-Scale Industries of Gujarat, '*Outstanding Industrialist of Eighties*'& '*Gujarat Businessman Award*' by Gujarat Chamber of Commerce and Industry. Further, he has been awarded an Honorary Doctorate by Florida Atlantic University, Florida, USA in 2001 for recognition of his exceptional accomplishments as a philanthropist and businessman. Dr. Patel has also served as a Chairman to the Govt. of India's Development Council for soaps and detergents and as a Member of Bureau of Indian Standards Committee for soaps and detergent industries (Nirma Ltd.).

FMCG & DETERGENT MARKET IN INDIA

The economic size of India is the eleventh largest economy in the world by GDP and the fourth largest by purchasing power parity (PPP) has a strong middle class population base 300 million. After 1991, continuing economic liberalization policy has moved the country towards a market-based economy. This growth momentum spurs the economy by changing its track from agriculture to service sector. According to Indian economic survey report, 2009-10, service sector is contributing 57.2 per cent of the country's GDP, which is major component while industrial and agricultural sector contributes 28 per cent and 14.6 per cent respectively. FMCG is the fourth largest sector in the Indian economy with a total market size of $13.1 billion and creates employment for more than three million people in downstream activities. The sector constitutes 2.15 per cent of GDP and expected to grow between 10-12 per cent annum. The growth rate in FMCG sector with respect to country GDP growth rate and inflation rate during 2006 to 2010 represent in Figure 2. This can be an evidence for designing corporate strategic actions in respect of Nirma Ltd.

(Insert Figure 2 about here)

The FMCG sector is playing a vital role for the growth and development of the country by making efforts to reach out to maximum consumers through distribution of smaller pack sizes, innovations like single use sachets, developing innovative products to cater to regional or local tastes and the needs of niche consumers. In few years back, it has overcome a slow growth slump to grow at 12 to 15 per cent, and is expected to grow at a CAGR of around 12 per cent to reach a size of Rs. 206000 crore ($ 43 billion) by 2013 and Rs. 355000 crore ($ 74 billion) by 2018. There are roughly 12-13 million retail stores in India, out of which 9 million are FMCG kirana stores. Figure 3 represent product and category wise sales break-up in FMCG sector for 2009 in India (FICCI Technopark - FMCG Report, 2009). This picture gives an inherent strategy for case analysis with respect to exclusively personal and home care products.

(Insert Figure 3 about here)

The strength of sector is low operation costs, presence of well established distribution networks in both urban and rural areas. Other side is less scope for investing in technology up gradation and low export promotion. To add this, population, untouched rural market, rising income levels, road & buildings infrastructure facilities and attracting retail markets are some of the key opportunities, while taxes & regulatory issues, heavy launch costs on new products & advertisements, free samples and product promotions, very low investment in fixed assets, existence of contract manufacturing are threats in the sector. The working rural population is approximately 400 million and an average citizen in rural India has less than half of the purchasing power as compare to his urban counterpart. Still there is an untapped market and most of the FMCG companies are in the process of crafting competitive strategies to capture rural market share. The market for FMCG products in rural India is estimated at 52 per cent and is projected to touch 60 per cent by 2011.

Detergent market in India

The first company to manufacture detergents in India was HLL and Swastik (Icfai Case Folio, [icmrindia.com]). HLL test marketed Surf during1956 -58 and began manufacturing in 1959. Swastik launched Det, a white detergent powder in 1957. By 1960, Det had made rapid inroads in eastern India. Surf, a blue detergent powder, became the national market leader with dominant positions in the west, north and southern parts of India. HLL dominated the market with a share of almost 70 per cent compared to Det's 25 per cent. In 1966, another player entered the fray. Tata Oil Mills Company (TOMCO) launched its detergent powder 'Magic'. In 1973, TOMCO introduced 'Tata's Tej' in the low-priced segment. TOMCO unveiled another economy detergent powder called OK in 1977. Then next Nirma came in to the picture of detergent war with very low priced generic strategy by avoiding the existing competition (Icfai Case Folio, [icmrindia.com]).

The size of Indian detergent market is estimated to be Rs. 12000 crore ($2.57 billion). With rapid urbanization, emergence of small pack size and sachets, the demand for the household care products is flourishing. The detergents demand has been growing steadily, hence the regional and small unorganized players account for a major share of the market. In washing powder segment, HUL is the leader with 38 per cent of market share; other major players are Nirma, Henkel and Proctor & Gamble. The fabric wash industry was characterized by low per capita consumption, especially in rural markets. The consumption pattern of detergent products (powder and cake) by an average Indian in 2001, as it may compare with nearest fact of Philippines and other regions like USA and Western Europe (refer Appendix). India also has an ample supply of caustic soda and soda ash, the raw materials in the production of soaps and detergents – India produced 1.6 million tonne of caustic soda in 2003-04. Tata Chemicals, one of the largest producers of synthetic soda ash in the world. The availability of these raw materials gives India as the location advantage for start-ups in manufacturing sector. The present business environment in India evidences that the next Mamo 'Manufacturing Boom'.

OUTLINE OF COMPETITORS

In 1969, when detergents were priced so exorbitantly, that for most of the Indians thought it was a luxury item. Nirma envisioned the vast fabric wash market segment and sensed a tremendous potential therein. This product was priced at almost one third to that of the competitor brands, resulting into instant trial by the consumers. (HUL) is the largest player in the FMCG industry and has the widest market coverage and distribution network. Its detergent brands include Rin, SurfExcel, and Wheel in both powder and cake. Next multinational company P&G has occupied the second position and the brands like Airel and Tide in both varieties.

According to market research agency, AC Nielsen, branded washing powders witnessed a volume of decline 4.8 per cent in 2009, while regional powders grew by 40.7 per cent. The premium price segment of washing powders shrink by 1 per cent, while the mass segment grew by 2.3 per cent. Whereas, regional washing powders grew by 75.7 per cent, and branded players grew by 20.3 per cent. Most of the new washing brands are luring consumers with propositions like 'superior wash at affordable prices'. HUL's market share in the detergent market is around 37 per cent. Ghari has 18 per cent market share, while P&G has roughly 16 per cent. Nirma had a 15.2 per cent share of the detergents segment and 8.2 per cent of bath soaps in 2009-10. But it slowly dipped to 13.5 per cent in detergents and 6.74 per cent in bath soaps in Jun, 2010.

Ghari, a strong regional brand seems to be an exception because of the growth it has achieved through geographical expansion during 2008-09. The surge in the number of laundry brands during the downturn is being perceived as an attempt by local players to take advantage of the phenomenon of down trading. It has come to light that over 500 new brands of laundry cakes and over 200 washing powders have mushroomed in the last few years in the local and regional markets. These price-warriors, small in turnover figures but large in numbers and it results in nibble for market share of leading national detergent brands and forcing companies to rethink pricing strategies. In 2009, HUL's detergent market share has declined to 37 per cent from 39 per cent in 2008, while P&G's market share has declined from 15.6 per cent in 2008 to 14.5 per cent in 2009.

The intensity of competition in the laundry segment is however seen heating up with players like Jyothy Laboratories and Ghari Industries becoming aggressive on the national platform. Jyothy Laboratories, (the manufacturer of top fabric whitener brand Ujala) rolled out its washing powder 'Techno Bright' in this rush market. Initially this brand was restricted to southern India; now compete with mid-premium brands like Surf Excel. It is also on the brink of acquiring two regional fabric care companies and forcing HUL to look at emerging categories such as fabric conditioners. To add, mass-market detergent Ghari is looking at increasing distribution through kirana stores and petty retailers. The company is strong in Uttar Pradesh and is looking to boost its presence in other parts of India.

In 2010, HUL has hiked 'Rin' prices by 8 per cent, where this has been rolled out in Gujarat and Uttar Pradesh markets. P&G, which was giving 250 grams extra on 1 kg pack of its Tide detergent, has indirectly hiked prices by reducing the grammage. The hike on Tide has been to the extent of 12 per cent, due to high cost of raw materials and forced inflation rate. Linear alkyl benzene, a key raw material used in detergents, are hurting the margins of these companies, which they have now decided to pass on to the consumer.

CONCLUSIONS

Nirma Limited is one of the best examples of an Indian organization which is family driven and represents first generation entrepreneur and charismatic leadership by Dr. Karsanbhai Patel. Nirma has provided value for money to its customers by offering quality products at a very competitive price. After 1990 plenty of local players were born to catch up the share of Nirma as well as transnational players on the Indian play ground. Due to globalization, liberalization of industrial and foreign trade policies and the entrance of multinational enterprises, the FMCG sector became more competitive as well as techno-driven in domestic market. On one hand, changing human living life with chosen multi-preferences among variant goods, on the other hand transfer of culture, knowledge and technocrats from western to southern countries. Thus, these are giving much attention to craft strategic policies and actions by traditional owned businesses in India like, Nirma.

After a period of time, the market share of Nirma fell down in detergent market and it has applied the same low cost pocket game in soaps segment. Although it has maintained fine market share in western part of India and has been continued loosing its grip in other parts. Further it was not a favored stock chosen by both retail and high net worth investors in the stock market, which might have due to unaccepted returns. The unanticipated talks on delisting might gave good returns to long holding investors and would be giving an opportunity to become free from regulatory issues. If Nirma go for restructure and entry in to new capital intensive businesses, would appreciate its heritage brand, but in the long-run it will have to trade on stock bourses. Though, Indian companies are going global and focusing more on the overseas markets like Bangladesh, Pakistan, Nepal, Middle East and the CIS countries, because the similar lifestyle and consumption habits would be observed in these countries. The inorganic choices would be given much advancement and enrichment for Nirma's corporate growth as well as sustain its brand value in the heart of customers.

Endnotes

- ♣ According AC Nielsen Retail Audit – Brand Equity Report 2004, Nirma is the 9th largest FMCG brand of the country. It was selected as a Super Brand of India for 2003-04.
- ♣ Nirma is the most popular brand in the Detergent Powders in Economy category. Excellence award for the best Advertisement of the year 2003 (FMCG Awards, 2003) and many other awards and recognitions has been occupied.
- ♣ Nirma is named after Nirupama (Nima), daughter of Dr. Karsanbhai Patel.
- ♣ Same Radio spot has been used consistently, since 28 years.
- ♣ Nirma is one of the largest selling single detergent brands in the world.

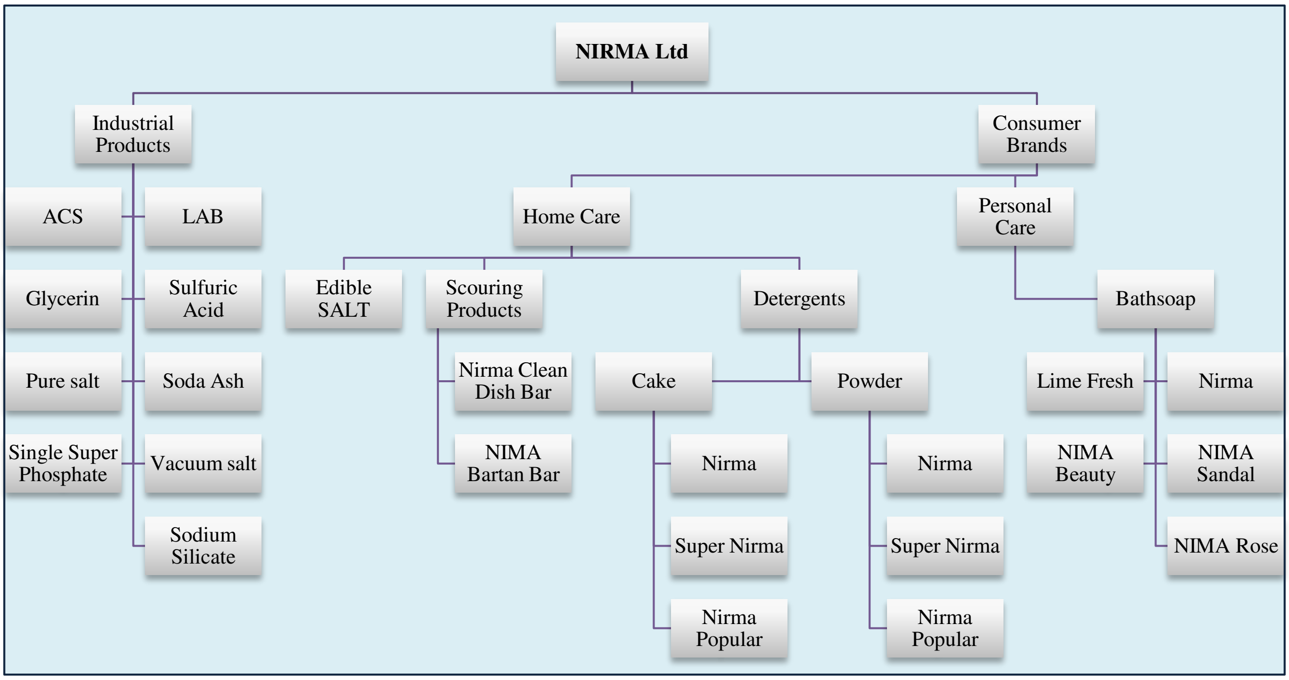
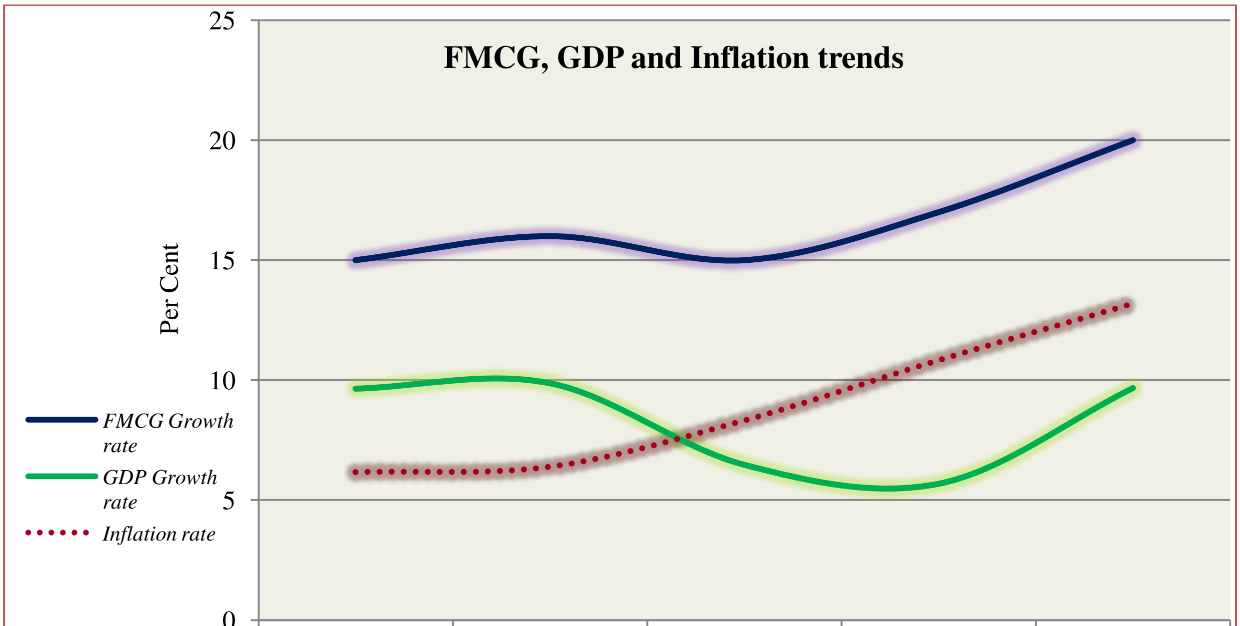


Figure 1: Nirma Brand Portfolio



	2006	2007	2008	2009	2010
FMCG Growth rate	15	16	15	17	20
GDP Growth rate	9.65	9.87	6.47	5.68	9.67
Inflation rate	6.17	6.39	8.32	10.83	13.19

Figure 2: FMCG, GDP and Inflation Trend

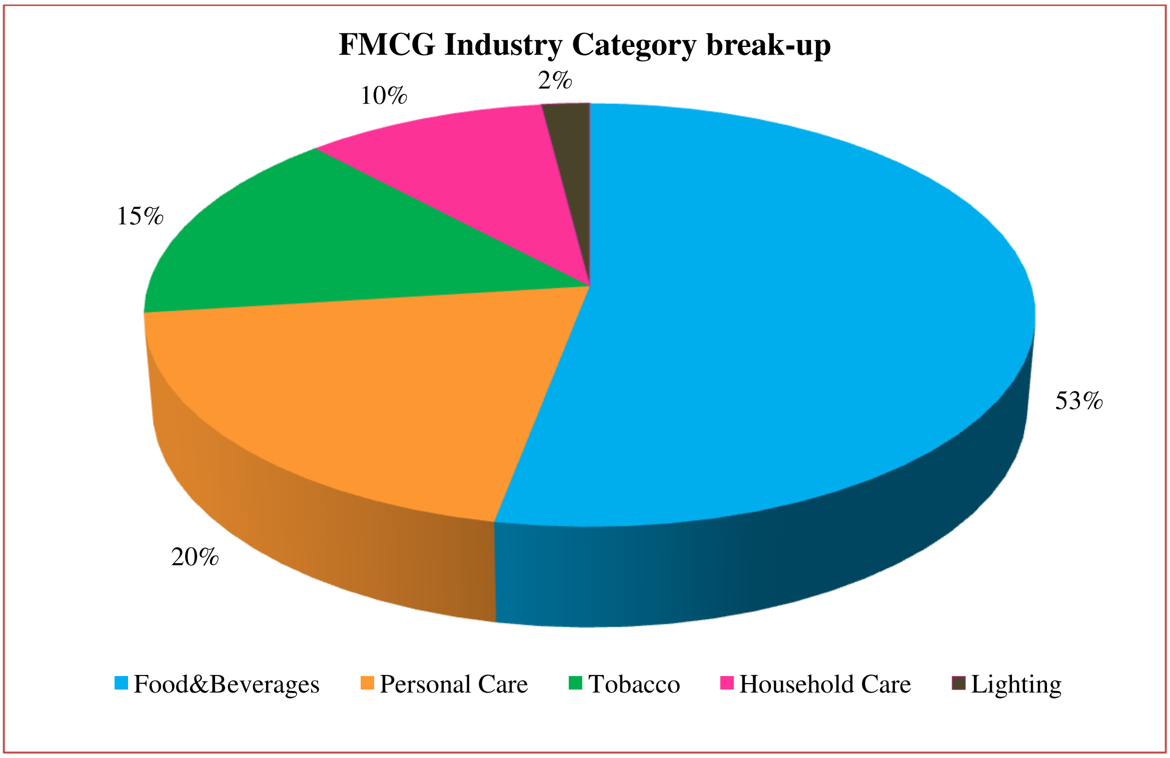
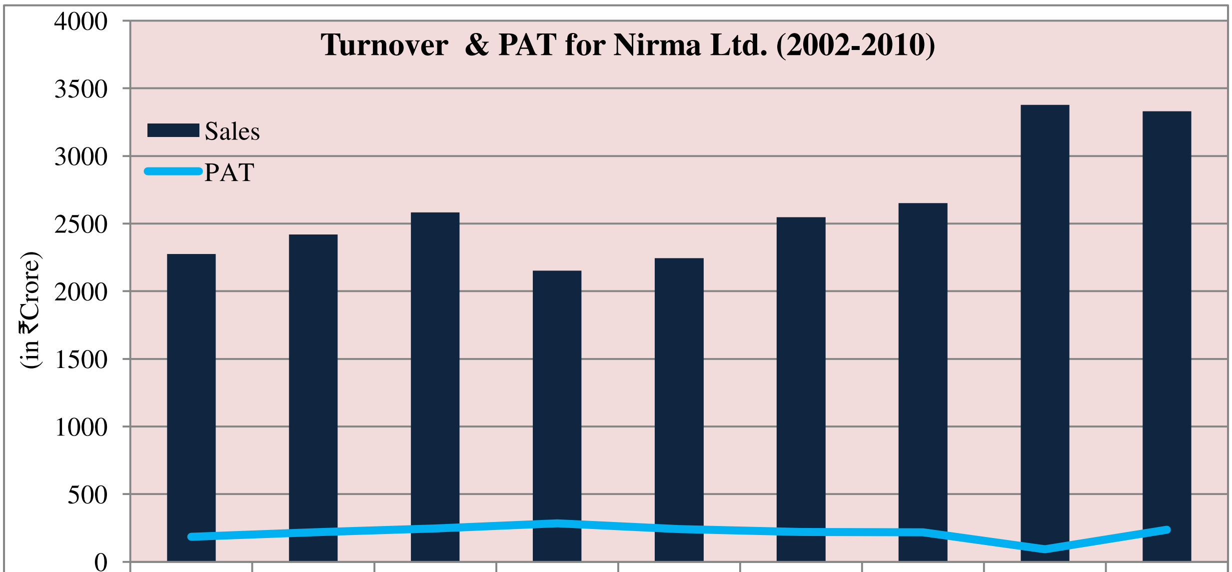


Figure 3: FMCG Industry wise Break-up

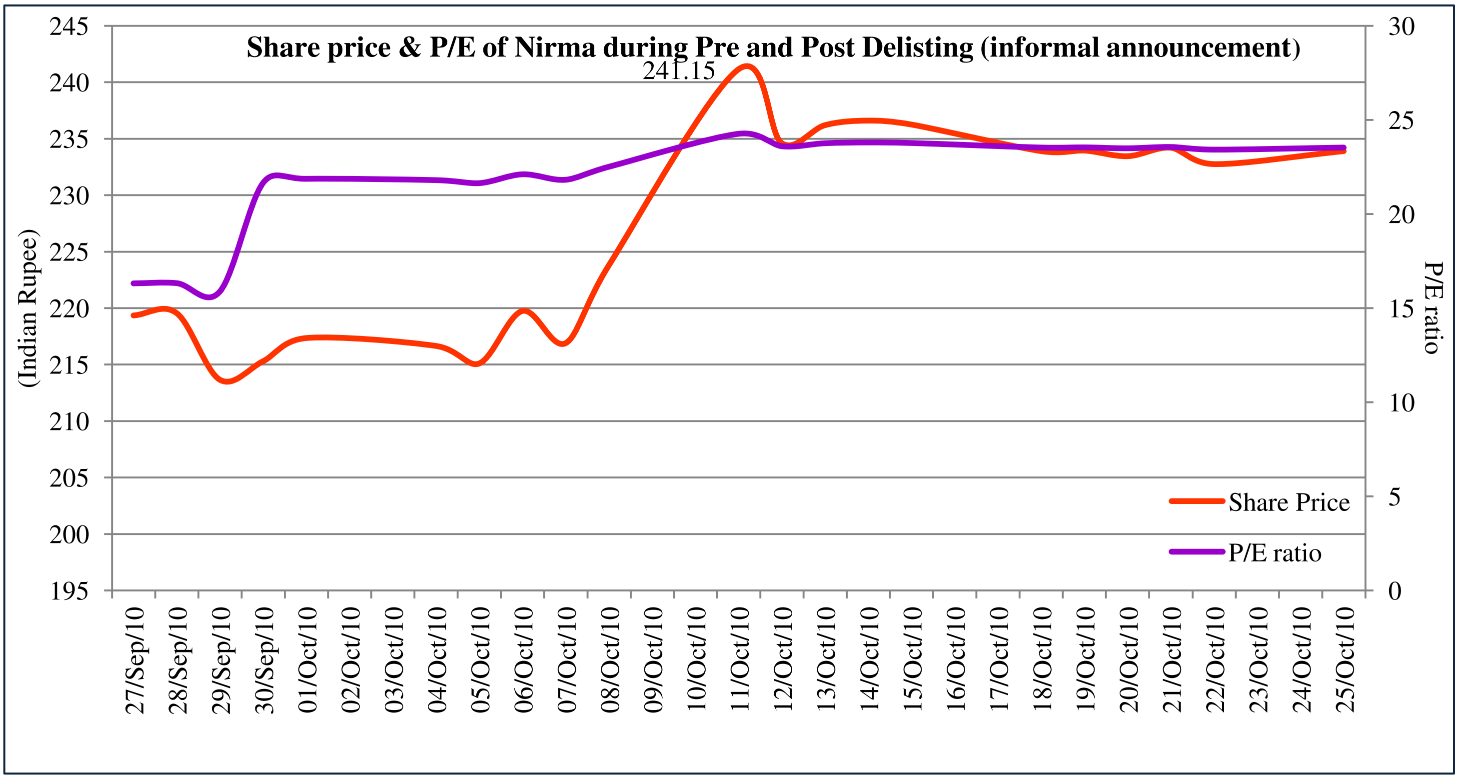
CASE APPENDIX

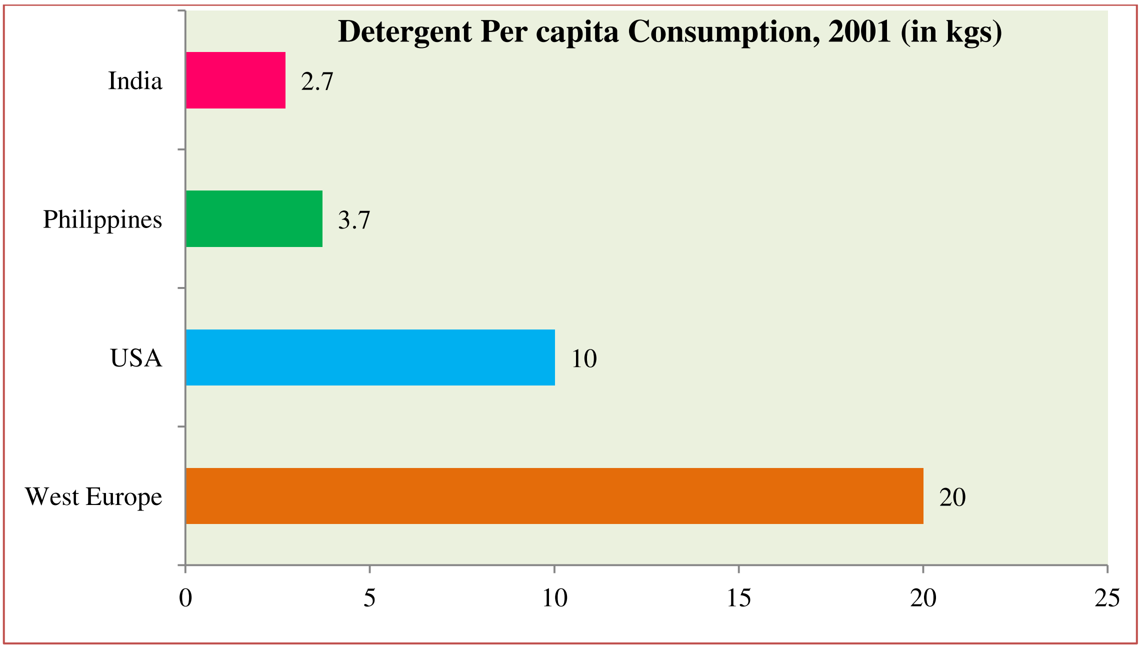
		Shareholding Pattern of NIRMA Ltd at the end of Sept, 2010		
		Shareholders		equity stake %
I		Promoters group		
	a.	*Indian*		
		Individuals/HUFs	25.59	
		Bodies corporate	12.57	
		Trusts	39.01	
		Total promoters group		77.17
II		Non-promoters/Public shareholding		
	b.	*Institutional Investors*		
		Financial Institutions and Banks	0.01	
		Foreign Institutional Investors (FIIs)	0.69	
		Mutual funds/UTI	0.84	
		Insurance companies	0.02	
		Total Institutional Investors		1.56
	c.	*Non-institutional Investors*		
		Bodies corporate	2.56	
		Foreign corporate bodies	0.02	
		NRIs/Foreign Individuals/Foreign nationals	0.04	
		Individual holding (in excess of Rs. 1 lakh)	14.97	
		Individual holding (up to Rs. 1 lakh)	3.67	
		Total non-inst. Investors		21.26
		Grand total		100.00

Source: Compiled from Indiainfoline Database (Indiainfoline.com)



	2002	2003	2004	2005	2006	2007	2008	2009	2010
Sales	2276.05	2418.53	2583.57	2151.21	2244.50	2548.08	2651.15	3378.01	3329.68
PAT	185.37	218.22	246.80	284.65	241.38	219.79	217.55	93.43	237.94


Share price & P/E of Nirma during Pre and Post Delisting (informal announcement)
241.15
(Indian Rupee)
P/E ratio
245
240
235
230
225
220
215
210
205
200
195
30
25
20
15
10
5
0
27/Sep/10
28/Sep/10
29/Sep/10
30/Sep/10
01/Oct/10
02/Oct/10
03/Oct/10
04/Oct/10
05/Oct/10
06/Oct/10
07/Oct/10
08/Oct/10
09/Oct/10
10/Oct/10
11/Oct/10
12/Oct/10
13/Oct/10
14/Oct/10
15/Oct/10
16/Oct/10
17/Oct/10
18/Oct/10
19/Oct/10
20/Oct/10
21/Oct/10
22/Oct/10
23/Oct/10
24/Oct/10
25/Oct/10
Share Price
P/E ratio


Detergent Per capita Consumption, 2001 (in kgs)
India
2.7
Philippines
3.7
USA
10
West Europe
20
0
5
10
15
20
25

Listing vs. Delisting

Listing of Stocks: Listing means admission of securities of an issuer to trading privileges on a stock exchange through a formal agreement. The prime objective of admission to dealings on the exchange is to provide liquidity and marketability to securities and also to provide a mechanism for effective management of trading.

Listing fees

Initial listing fee and regular listing fee is varying with paid up equity capital.

Benefits of listing: A premier marketplace, visibility, largest exchange, unprecedented reach, transaction speed, short settlement cycles, broadcast facility for corporate announcements, trade statistics for listed companies and investor service centres.

Delisting of shares: It is also referred to as 'Reverse Book Building". The reverse book building is an apparatus provided for capturing the sell orders on online basis from the share holders through respective book running lead managers (BRLMs) which can be used by companies intending to delist their shares through buy back process. The process is used by the companies to reduce their floating capital so as to enable them to get delisted from the stock exchanges. Listing on stock exchanges entails a number of compliances. In order to avoid such compliances, many companies are opting to get delisted. Moreover, the process can also be used in case of acquisition process of another company by the acquirer.

Voluntary delisting being sought by the promoters of a company - Companies which may be compulsorily delisted by the stock exchanges. If a person in control of the management is seeking to consolidate his holding in a company, he would do so in a manner which would result in the public shareholding or in the listing agreement that may have the effect of company being delisted. Promoters of the companies who voluntarily seek to delist their securities from all or some of the stock exchanges - Any acquisition of shares of the company (either by a promoter or by any other person) or scheme of arrangement, by whatever name referred to, consequent to which the public shareholding falls below the minimum limit specified in the listing conditions or listing agreement that may result in delisting of securities. By de-listing, a company should reduce this public scrutiny and reduce costly reporting requirements. One point, de-listing tends to require a premium to be paid on the share price.

Source: Compiled from BSE and NSE, last accessed on Nov 16, 2010.

Laundry Habits for 2007 (in kgs)

Country	Per Capita Consumption (Kg)	Hand wash (Per cent)	Machine wash (Per cent)
Iran	5.8	70	30
Turkey	3.3	65	35
Egypt	2.9	70	30
Saudi Arabia	3.2	10	90
Syria	4.3	27	73

Source: thefreelibrary.com, last accessed on Jan 27, 2011.

TEACHING NOTE

This case is designed to develop corporate idea and crafting both organic and in-organic opportunities in the cloud detergent Indian market. It presents the market movement of detergents from historical distribution to technological diversified channels, corporate philosophy of Nirma and their growth strategies. Further observe the economical life of organization in the line of business cycles and trace out & investigate the factors behind the delisting decision in conscious business stage. The case aim to report events of marketing, operational, financial and biological aspects, which are closely associated with Nirma's philosophy.

This requires logical thinking, data networking and mapping the corporate events to inquiry behind its tragedy and which motivates Nirma to hide itself from the shadow of regulatory bodies. The case asks students to design blue print of well planned inorganic strategy and write corporate policies for improvement of Nirma's economical life. In addition to this, draw a competitive graphitized picture of Indian detergent market and comment on it.

1.0. CASE OVERVIEW

Nirma is one of the few names and recognized as a true Indian brand, which took on almighty multinationals and rewrote the marketing rules to win the heart of princess, i.e. the consumer. India is one of the largest consumer economies, with burgeoning middle class pie. In such a widespread, competitive and diverse marketplace, Nirma pertinently concentrated all of its efforts towards creating and building a strong consumer presence towards its 'Value-For-Money' products. The Company came out with its maiden public issue of equity shares and listed in 1994. Further, it has no big expansion plan in the pipeline and it need not remain listed and be part of the market capitalization fixture.

On 10th October, 2010 the surprise announcement by Rs. 4600 crore Nirma Ltd to delist itself is being viewed as a decision taken by a fiercely-private person to keep his company away from the public glare. A few years back, it was the second-largest player in the Rs. 11000 crore detergents business has now been piped by Procter & Gamble (P&G). As a result, it has been consistently losing market share in both detergents as well as soaps category. Though, Indian companies are going global and focusing more on the overseas markets like

Bangladesh, Pakistan, Nepal, Middle East and the CIS countries, because the similar lifestyle and consumption habits observe in these countries. Nirma is a phenomenon and synonymous with 'Value for Money'.

2.0. CASE LEARNING OBJECTIVES

The case shall discuss mainly in two courses, Strategic Management (SM) and Advanced Marketing (AM). So, the learning objectives vary with selective courses, in addition to this integrative learning objectives were also presented.

2.1. Strategic Management

a. Impact of political, economic, competitive, technological and global environment factors on the Nirma's business growth.
b. Choosing growth opportunities, via organic and in-organic choices in the milieu of corporate restructuring.
c. Apply the basic business practices and tactics to design corporate policies in emerging cloud detergent market.
d. Formulate international cooperative strategies to improve the presence of historical and philosophical national brand.

2.2. Advanced Marketing

a. Design sales promotion strategies to improve sales revenue in the mass market.
b. Testing Porter's generic strategies and Ansoff matrix for market expansion.
c. Drawing competitive strategies by using four P's to strengthen the brand presence.
d. Developing strategies for sales and channel distribution to enhance customer perceive.

2.3. Integrative Learning Objectives

- Understanding organizational restructuring like, board management, responsibility and corporate control.
- Impact of biological and family relations on business decisions.
- Learning path towards leadership and success stories.
- To know the detergent market in India and its SWOT analysis
- Overview of FMCG industry in domestic and global scenario

3.0. TEACHING STRATEGY

This case can be used at fulltime, part time and executive management programs at graduation and post graduation. For fulltime BBA and MBA addressees, the emphasis should be on an integrative plan for businesses enhance and providing simple numerical analysis for students, so they focus on strategy design and modeling action plans. The case is mainly fit for the students, who joined in application part rather than early stage, i.e. can discuss among second year groups.

The faculty should explain theoretical concepts and varieties of focus areas in the respective section to meet the learning objectives of the case. Later, he/she can give case study as an assignment at home or it can discuss with in a minimum gap of 3-4 hours by preparing case analysis on Chart or PPT. The faculty should insist them to handover the rough work, sharing of work among the group, member responsibility and their contribution to the case analysis in a detailed print format. The faculty does not teach case points, where he can discuss among the student groups and ask case analysis report in both print and soft copy.

3.1.0. Suggested Pattern – Strategic Management

We can start the session by asking a narrow question from the heart of case, which it must focus on central theme of existing study. For ex: Do you believe policies change the life of organization? The reason behind throwing an open question is to make students more attentive, interest and action. Before step in to case discussion, faculty should pick one or two cornered students and ask them 'what is your personal comment on the given case'. Because the students mindset will break in to small chips to find What, Why, Where, When and How from the exercise. If they find these questions, 50 per cent of case analysis is done. The lecture hall and its ambience is also impact on the student's participation. Finally the faculty has to make them to enter into the pitch and toss the following questions.

3.1.1. Prepare PEST analysis from the given case and analyze the factors which impact on Nirma's corporate growth and tragedy?

3.1.2. Identify the growth opportunities (both organic and inorganic) for expansion and diversification of Nirma's presence from its existing detergent & home care products? Prepare a strategic plan to enter in the Food division, if so, shall it run on the same brand.

3.1.3. With reference to detergents consumption in international countries (see Case Material), if Nirma focuses on exporting detergents & home care products to Asian and African countries, which international cooperative strategy to be select? Will it uphold in the present competitive FMCG business and how.

3.2.0. Suggested Pattern – Advanced Marketing

Most of the management students are very interesting to attend this course, because it talks about reality and presence of the brand in a market. More over this is not specialized nor generalized; even a lay man can talk on brand or product. After globalization, the detergent market in India flourished with multinationals in variety of FMCG brands. While discussing this case issue, the faculty must move on dramatic story rather than stringent cram argument. It makes students much interest and participation in the session. The students have to discuss group wise on various issues like sales promotion, direct marketing, advertising, brand development and channel distribution strategies in the line of detergent products. At glance, the following inquiry will give some inputs to synergize the Nirma brand from the present dynergy status.

3.2.1. Shall Nirma to be spent more on advertising and sales promotion activities like other players in the bounced detergent market? And, if Nirma builds two more plants in southern part of India to protect and standout in the mother land, will it worth?

3.2.2. What type of marketing strategies has to implement for synergize the 'Nirma' brand from its present dynergy hack in the Indian market? Will we run Porter's generic strategies or Ansoff matrix for market coverage as well as customer perceive.

3.2.3. Comment: Delisting is the right action to making up turnaround or restructure of business? Since, it looks like 'standing behind the shadow' or 'makeup behind the mirror'. Trace out the reasons to delist its face from the stock exchange, whether this effects on popular Nirma's sign.

Suggested work to understand the Case concepts, which I published during and after my doctoral research:

For ***methodological aspects*** of case development: how to develop case studies using secondary data such as newspapers information, company reports and stock market information, etc. (see Reddy, 2015a; Reddy & Agrawal, 2012).

To understand the mechanism of mergers, acquisitions and corporate strategies in the market for corporate control, and the recent global financial crisis aspects, and about the Indian economy policy reforms (see Reddy, 2014; Reddy, 2015b; Reddy et al., 2013a; Reddy et al., 2014).

From the ***corporate finance perspective***, you may read Business valuation models, Initial public offerings and share repurchases, and diverse aspects of valuation and firm performance issues (Reddy, 2015c; Reddy et al., 2013b; Reddy et al., 2013c).

4.0. CASE ANALYSIS

The strategic choice chosen by detergent and social guru, Dr. Patel, CMD of Nirma would have given diversification opportunity, which was entered in capital intensive business. On the one hand, if he select 'Ansoff strategy matrix', that would have increased distribution network and market share, on the other hand location of new manufacturing facilities and up-gradation of technology along the pipeline could be the right action to stand as a solo player in the low cost niche market. Historically, gurus and philanthropists coined that one can't revolutionize the society, which you must pursue the society values. To achieve this, you need to reframe, restructure and redesign business policies with respect to changes in living life. The term business, trade, commerce are born in the culture, for the society and by the people. Since, Nirma did documented value addition for the society and advancement of Indian heritage as well as economic life. Moreover Nirma was born in India and made by national philosophical anthem, rules, paradigm and conduct.

After 1991, the implementation of liberalization policy had changed the visage of Indian household from food & water to fashion/western life. Though, Nirma have not vexed about the entry of multinational enterprises in the Indian detergent pitch, at the end of day, Nirma have been started losing its market share in detergent segment. The market share of Nirma has detained strategically by MNCs and new domestic entrants. These short dips gave signals to investors and caused Nirma to think about delisting from the stock bourses.

If Nirma consider growth strategies like, market expansion, export to neighboring countries and franchising in third world nations that will pull market strength and would reshape its family cum heritage brand as 'Nirma International'. Alternatively, it may choose inorganic choices like, joint ventures or mergers to enter other business areas to give birth on the respective industry surface. There are industries which have shown spur growth, akin to auto ancillary, machine tools and stock broking, etc. The recent days signifies more about inorganic opportunities select by corporate houses in mounting emerging markets.

REFERENCES

Annual report information (2002-10), Nirma Limited, at: www.nirma.co.in, last accessed on Oct 10, 2010.

BSE Listing and delisting information, available at: www.bseindia.com, last accessed on Nov 02, 2010.

Business-standard (2010), "Nirma shareholders pass delisting plan", available at: http://www.business-standard.com/india/news/nirma-shareholders-pass-delisting-plan/116712/on, last accessed on Nov 11, 2010.

Business World (2010), "Nirma To Delist From BSE, NSE", available at: http://www.businessworld.in/bw/2010_10_11_Nirma_To_Delist_From_BSE_NSE.html, last accessed on Nov 11, 2010.

CMIE database, Centre for Monitoring Indian Economy Private Limited, last accessed on Nov 15, 2010.

Detergents and Soaps Industry Overview, available at: www.detergentsandsoaps.com, last accessed on Nov 4, 2010.

Hindustan Unilever Limited (HUL), Profile and Product information, available at: www.hul.co.in, last accessed on Oct 25, 2010.

Icfai Case Folio and Database, Indian FMCG Industry, available at: www.icmrindia.com, last accessed on Nov 11, 2010.

Indian Infoline database, Shareholding pattern of Nirma Ltd., available at: www.indiainfoline.com, last accessed on Oct 25, 2010.

India Infoline database, Profile and financial data of Jyothy Laboratories Ltd., available at: www.indiainfoline.com, last accessed on Oct 25, 2010.

India Infoline News (2010), “Nirma gallops on delisting plan”, available at: http://www.indiainfoline.com/Markets/News/Nirma-gallops-on-delisting-plan/3326953938, last accessed on Nov 10, 2010.

NIRMA Limited, Company profile and product information, available at: www.nirma.co.in, last accessed on Oct 10, 2010.

NSE Listing and delisting information, available at: www.nseindia.com, last accessed on Nov 2, 2010.

Procter & Gamble (P&G), Profile and Product information, available at: www.pg-india.com, last accessed on Oct 25, 2010.

Reddy, K. S. (2014). Extant reviews on entry-mode/internationalization, mergers & acquisitions, and diversification: Understanding theories and establishing interdisciplinary research. *Pacific Science Review*, 16(4), 250-274.

Reddy, K. S. (2015a). Beating the Odds! Build theory from emerging markets phenomenon and the emergence of case study research—A “Test-Tube” typology. *Cogent Business & Management*, 2(1), 1037225.

Reddy, K.S. (2015b), Macroeconomic change, and cross-border mergers and acquisitions: The Indian experience, 1991-2010, Retrieved from http://mpra.ub.uni-muenchen.de/63562/1/MPRA_paper_63562.pdf.

Reddy, K.S. (2015c). The aftermarket pricing performance of initial public offers: Insights from India. *International Journal of Commerce and Management*, 25(1), 84-107.

Reddy, K. S., & Agrawal, R. (2012). Designing case studies from secondary sources–A conceptual framework. *International Management Review*, 8(2), 63-70.

Reddy, K. S., Nangia, V. K., & Agrawal, R. (2013a). Indian economic-policy reforms, bank mergers, and lawful proposals: The ex-ante and ex-post ‘lookup’. *Journal of Policy Modeling*, 35(4), 601-622.

Reddy, K.S., Agrawal, R., & Nangia, V. K. (2013b). Reengineering, crafting and comparing business valuation models-the advisory exemplar. *International Journal of Commerce and Management*, 23(3), 216-241.

Reddy, K. S., Nangia, V. K., & Agrawal, R. (2013c). Share repurchases, signalling effect and implications for corporate governance: Evidence from India. *Asia-Pacific Journal of Management Research and Innovation*, 9(1), 107-124.

Reddy, K. S., Nangia, V. K., & Agrawal, R. (2014). The 2007–2008 Global Financial Crisis, and Cross-border Mergers and Acquisitions A 26-nation Exploratory Study. *Global Journal of Emerging Market Economies*, 6(3), 257-281.

Reuters (2010), “Nirma delist offer may get muted response”, available at: http://in.reuters.com/article/idINIndia-52112120101011, last accessed on Nov 6, 2010.

The Economic Times (2010), “Nirma's surprise delisting plan stokes sell-off buzz”, available at: http://economictimes.indiatimes.com/news/news-by-industry/cons-products/fmcg/Nirmas-surprise-delisting-plan-stokes-sell-off-buzz/articleshow/6726492.cms, last accessed on Nov 6, 2010.

The Financial Express (2005), “P&G expects detergent market to grow 2-3 percent”, Available at: http://www.financialexpress.com/news/p&g-expects-detergent-market-to-grow-23/123400/, last accessed on Nov 4, 2010.

The Financial Express (2010), “Nirma stock up 18 per cent on delisting move”, available at: http://www.financialexpress.com/news/nirma-stock-up-18-on-delisting-move/695619/, last accessed on Nov 6, 2010.

Times of India (2009), “Small detergent companies eat into biggies’ pie”, Available at: http://timesofindia.indiatimes.com/business/india-business/Small-detergent-cos-eat-into-biggies-pie/articleshow/5011810.cms, last accessed on Nov 4, 2010.

Times of India (2010), “Nirma bid to unlock value via delisting”, available at: http://timesofindia.indiatimes.com/business/india-business/Nirma-bid-to-unlock-value-via-delisting/articleshow/6745050.cms, last accessed on Nov 6, 2010.

The Times of India (2010), “43 HNIs hold key to Nirma delisting”, available at: http://timesofindia.indiatimes.com/business/india-business/43-HNIs-hold-key-to-Nirma-delisting/articleshow/6751662.cms, last accessed on Nov 11, 2010.